

Message Text

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ACTION EUR-25

INFO OCT-01 IO-12 ADP-00 AGR-20 TRSE-00 AID-20 CEA-02

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

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AMEMBASSY LUXEMBOURG

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AMEMBASSY ROME

USMISSION GENEVA

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PASS AGRICULTURE

E. O. 11652: N/A

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SUBJECT: COMMISSION 1973/74 CAP PRICE PROPOSALS

REF: (A) EC BRUSSELS 1439; (B) EC A-95

1. ON MARCH 21 THE EC COMMISSION FINALIZED THE 1973/74 PRICE PROPOSALS WHICH ARE BEING SUBMITTED TO THE COUNCIL AND EUROPEAN PARLIAMENT TODAY (DETAILS IN PARAGRAPH 6 OF THIS MESSAGE). COMMISSIONER LARDINOIS BRIEFED THE U. S. DELEGATION ON THIS PROPOSAL IN THE COURSE OF THE MARCH 21-22 U. S. -- EC CONSULTATIONS.
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WE UNDERSTAND THAT THE COMMISSION AGREED ON THESE PROPOSALS BY A MAJORITY VOTE, THE GERMAN COMMISSIONERS ABSTAINING AND THE ITALIANS VOTING AGAINST IT.

2. THE NET EFFECT OF THESE PRICE INCREASES IS THAT PROTECTION ON THIRD- COUNTRY PRODUCTS WILL GENERALLY INCREASE BY AT LEAST 2.76 PERCENT EXCEPT IN ITALY WHERE IT GENERALLY WILL BE 6.76 PERCENT. HOWEVER, THE NEW SUPPORT PRICES WILL TEND TO ENCOURAGE LIVESTOCK PRODUCTION MORE STRONGLY THAN GRAIN PRODUCTION.

3. THE 1973/74 CAP PRICE PROPOSALS HAVE A DOUBLE PURPOSE: ON THE ONE HAND, THEY ARE TO REALIGN, ALBEIT PARTLY, THE CAP PRICES ON THE UNIT OF ACCOUNT IN TERMS OF WHICH CAP PRICES ARE EXPRESSED; ON THE OTHER HAND, THEY ARE TO GIVE EC FARMERS PARTIAL COMPENSATION FOR THE RISE IN THE GENERAL PRICE LEVEL. IF THE COMMISSION' S PROPOSAL WERE ACCEPTED, THE COMMON PRICE SYSTEM WHICH HAS BEEN DISRUPTED BY EXCHANGE RATE CHANGES, WOULD BE RESTORED IN AT LEAST SIX MEMBER STATES -- I. E., GERMANY, BENELUX, FRANCE, DENMARK. THE COUNTRIES WITH FLOATING CURRENCIES -- ITALY, U. K., IRELAND-- ARE EXPECTED TO RESTORE THE GENERAL PRICE SYSTEM AT A LATER DATE WHEN THEY AGAIN ESTABLISH FIXED PARITIES.

4. THE COMMISSION WILL SHORTLY ALSO PROPOSE A CHANGE IN THE SYSTEM FOR CALCULATING THE CAP PRICES. WE UNDERSTAND THAT THIS PROPOSAL IMPLIES NO CHANGE IN THE UNIT OF ACCOUNT WHICH WILL CONTINUE TO BE DEFINED IN TERMS OF ITS PREVIOUSLY ESTABLISHED GOLD CONTENT. HOWEVER, THE ACUTAL CAP PRICES IN TERMS OF THE UNIT OF ACCOUNT WILL BE CALCULATED ON THE BASIS OF THE CENTRAL RATES OF THOSE MEMBER STATES CURRENCIES WHICH HAVE FIXED EXCHANGE RATES. WE WILL REPORT ON THIS PROPOSAL AS SOON AS MORE INFORMATION BECOMES AVAILABLE.

5. ACCORDING TO LARDINOIS, THE COMMISSION HAS ALSO DECIDED TO REVIEW TOGETHER WITH THE COUNCIL THE ENTIRE SYSTEM OF THE CAP. THIS REVIEW, WHICH IS TO TAKE PLACE IN OCTOBER 1973, WILL PROCEED FROM THE RECOGNITION THAT QUOTE THE PRESENT MECHANISM WHICH ACTS ONLY ON PRICES IS INSUFFICIENT, AND OTHER INSTRUMENTS WILL HAVE TO BE FOUND TO MEET THE (CAP) OBJECTIVES UNQUOTE. WE UNDERSTAND THAT THIS STATEMENT IMPLIES THAT THE COMMISSION CONTEMPLATES TO SUBSTITUTE

,
AT LEAST TO SOME EXTENT, DIRECT INCOME PAYMENTS FOR INCOME SUPPORT THROUGH FIXED MARKET PRICES. THE COMMISSION' S THINKING IN THIS LIMITED OFFICIAL USE

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RESPECT IS APPARENTLY ALONG THE LINES OF (BUT NOT IDENTICAL WITH)
THE RECENT COMMISSION PROPOSAL FOR QUOTE AIDS TO HILL FARMERS
UNQUOTE (SEE REF. B).

6. THE COMMISSION'S PRICE PROPOSAL IS AS FOLLOWS: ALL FARM PRICES
ARE TO BE RAISED BY 2.76 PERCENT IN TERMS OF THE UNIT OF ACCOUNT.
SINCE THE GERMAN AND BENELUX CURRENCIES ARE ASSUMED TO HAVE
APPRECIATED BY AT LEAST THIS PERCENTAGE, FARM PRICES IN THESE TWO
COUNTRIES (WITH EXCEPTIONS NOTED BELOW) ARE TO REMAIN UNCHANGED IN
TERMS OF NATIONAL CURRENCIES. SINCE ON THE OTHER HAND THE ITALIAN
LIRA HAS DEPRECIATED RELATIVE TO THE UNIT OF ACCOUNT, FARM
SUPPORT PRICES IN ITALY EXPRESSED IN LIRE ARE TO RISE BY 4
PERCENT IN ADDITION TO THE 2.76 PERCENT (AGAIN WITH
EXCEPTIONS NOTED BELOW). IN ENGLAND AND IRELAND, FARM SUPPORT
PRICES ARE TO BE RAISED BY 2.76 PERCENT (ALSO WITH CERTAIN
EXCEPTIONS).

7. THE AFOREMENTIONED EXCEPTIONS INVOLVE PRICE INCREASES IN
GERMANY, AND THE BENELUX COUNTRIES WHICH ARE, HOWEVER, MAGNIFIED
IN ITALY BY AN ADDITIONAL FOUR PERCENT AND IN THE OTHER MEMBER
STATES BY AN ADDITIONAL 2.76 PERCENT.

8. SUBJECT TO CONFIRMATION, THE PROPOSED INCREASES IN THE 1973/74
CAP PRICES MAY BE SUMMARIZED AS FOLLOWS:

	GERMANY/ BENELUX	ITALY	ALL OTHERS
	(IN PERCENTAGES)		
WHEAT	0	PLUS 6.76	PLUS 2.76
CORN	0	PLUS 6.76	PLUS 2.76
RYE	PLUS 4	PLUS 8	PLUS 6.76
CATTLE	PLUS 8	PLUS 12	PLUS 10.76
CALF	PLUS 3	PLUS 7	PLUS 5.76
PORK	PLUS 4	PLUS 8	PLUS 6.76
MILK	PLUS 2	PLUS 6	PLUS 4.76
BUTTER	MINUS 10	MINUS 14	MINUS 10
SKIM MILK POWDER	PLUS 24	PLUS 28	PLUS 24.76
RICE	0	PLUS 4	0
TOBACCO	0	PLUS 4	PLUS 2.76
FRUITS AND VEGETABLES	0	PLUS 6.76	PLUS 2.76

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